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The individual effects of recent German active labour market programmes

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Plan of talk

- Overview of **some** recent work for Germany, Austria, & Switzerland
- More detailed discussion of the most recent paper

What do we know so far from our own recent work (I)?

- Lechner, Miquel, Wunsch (forthcoming *Journal of the European Economic Association*)
 - First use of large German administrative data
 - Training programmes only
 - Programmes in 1993 / 1994
 - Observe outcomes over **8** years
 - LMW find
 - all programmes have negative effects in the short run (lock-in)
 - practise firms seem to have no positive non-subsidised employment effects
 - retraining (up to 3 years) has no positive effects in the East
 - all other programmes appear to have positive effects on earnings and n.s. employment in the long run (after 3 to 4 years depending on duration)
 - no effects on registered unemployment (programmes increase n.s. employment and reduce part of individuals that are 'out of the labour force')

What do we know so far from our own recent work (II)?

- Lechner, Wunsch (forthcoming in *Journal of Labor Economics*)
 - More extensive use of this new database over time
 - Training programmes only
 - West Germany only
 - Programmes from 1986 – 1995 (monthly inflow)
 - Only aggregate of programmes could be considered
 - Observe outcomes over 8 years
 - LW06 find
 - all programmes have negative effects in the short run (lock-in)
 - no effects on registered unemployment (programmes increase employment and reduce share of individuals that are 'out of the labour force')
 - effects are positively related to unemployment rate → in bad times lock- in effect is less severe
 - Policy conclusion: Acyclical programme volumes

What do we know so far from other work?

- Fitzenberger and Speckesser (2005), Fitzenberger, Osikominu, Völter (2007):
 - training conducted 1993-1994 (1997)
 - negative employment effects in short run (lock-in effects)
 - lasting positive effects in medium to long run for most training programs
 - subsidized and non-subsidized employment is not distinguished
- Biewen, Fitzenberger, Osikominu and Waller (2006):
 - 3 types of training conducted 2000-2001
 - positive effects for women with longer unemployment durations and in some cases also for men
 - but: small samples in those subgroups!
- Caliendo, Hujer and Thomsen (2004-2006):
 - subsidised non-market jobs in February 2000
 - no effects on unsubsidized employment

What do we know so far from our own recent work (IV)?

- **Lechner and Wiehler** (forthcoming in *Journal of Population Economics*; *Oxford Bulletin of Economics & Statistics*)
 - Austria 2000-2002
 - Hardly any positive effects for men
 - Some positive employment effects for women (because non-participants are more likely to get pregnant, 'kids or courses')
 - Second paper based on dynamic treatment model

What do we know so far from our own recent work (V)?

- Behncke, Frölich, Lechner (2005 report to Government, JRSS-A, 2009, Journal of Business, 2008, ...)
 - Switzerland 2003
 - No evaluation of ALMP only, but of all of the counselling process
 - Merge case workers (questionnaires+admin. data) with clients (admin. data)
 - Analyse different counselling styles, tools, allocation mechanism of clients to case workers
 - Tough case workers are more successful (increase n.s. employment)
 - Allocation of clients to similar case worker increase reemployment chances (education, gender, age)
 - Direct employer contacts are important for reemployment

What do we know so far from our own recent work (VI)?

- Behncke, Frölich, Lechner (*Swiss Journal of Economics & Statistics*)
 - Lechner and Smith (2007) showed that effect of ALMP can be improved by better allocating the participants to the ‘optimal’ programmes
 - Implement an internet based targeting system in 21 employment offices in Switzerland
 - SAPS: Produces impact estimates of different programme groups (8) for narrowly defined types of unemployed
 - Case workers may use it voluntarily
 - German TREFFER uses similar ideas, but different econometrics ...
 - SAPS: True experimental evaluation (social experiment)
 - SAPS had no effect because case workers did not follow it
 - Why?
 - Overconfidence?
 - Ignorance?
 - Sabotage (cantonal autonomy / job of case workers at stake?)?

What Did All the Money Do? On the General Ineffectiveness of Recent West German Labour Market Programmes

Antwerp, October 2010

Conny Wunsch and Michael Lechner

The programs we evaluate

Table 2: Description of the programmes to be evaluated

Programme type (acronym)	Description	Mean planned duration (days)
Short combined measures (SCM)	Acquisition of specific knowledge and skills.	62
Jobseeker assessment (JSA)	Assessment of jobseekers' ability and willingness to search for job and to work, basic job search assistance.	56
Short training (ST)	Minor adjustment of skills.	56
Job-related training (JRT)	Combined off-the-job and on-the-job training in a specific field of profession.	186
General further training ≤ 6 months (GT6)	General update, adjustment and extension of knowledge and skills; mainly off the job, planned duration ≤ 6 months.	122
General further training > 6 months (GT6+)	General update, adjustment and extension of knowledge and skills; mainly off the job, planned duration > 6 months.	292
Degree course (DC)	Vocational training that awards a formal professional degree and that corresponds to regular vocational training in the German apprenticeship system.	690
Employment programme (EP)	Subsidised non-market jobs.	313

Note: Calculations of the mean planned durations are based on our evaluation sample (see Section 3.2).

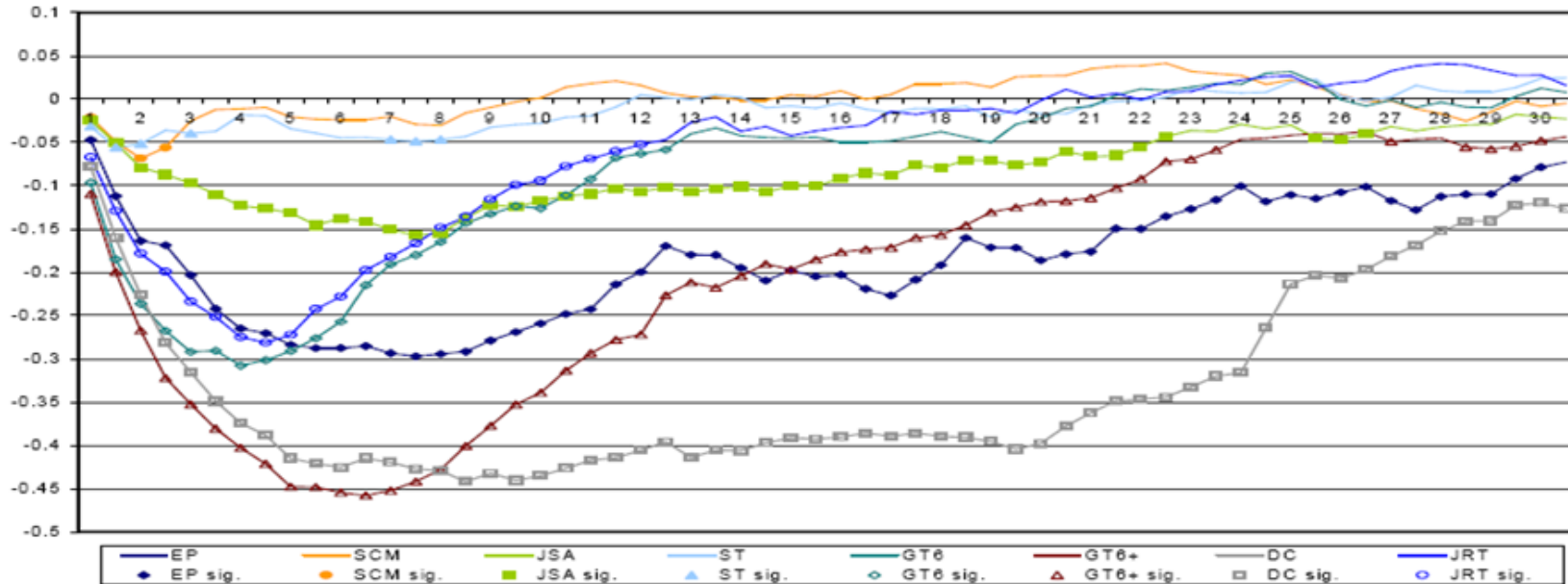
The data

Table A.1: Data sources used

Source	Period	Available information	Important variables
Social	Jan. 1990-	Times of insured employment; personal	Form of employment, industry, earnings, posi- der, benefit mber
Programme participation data	Jan. 2000- Jun. 2005	Participation in ALMP measures; programme information; personal characteristics	Type of programme, planned and actual duration, (un)successful completion, capacity; profession, education, health problems, regional information
Jobseeker register	Jan. 2000- Jun. 2005	Job search relevant information; personal characteristics	Desired form of employment, reason for determination of last employment, number of job offers, compliance to benefit conditions, date of last interview, health problems and judgement whether these affect employability

Results: Programs fail to increase employment

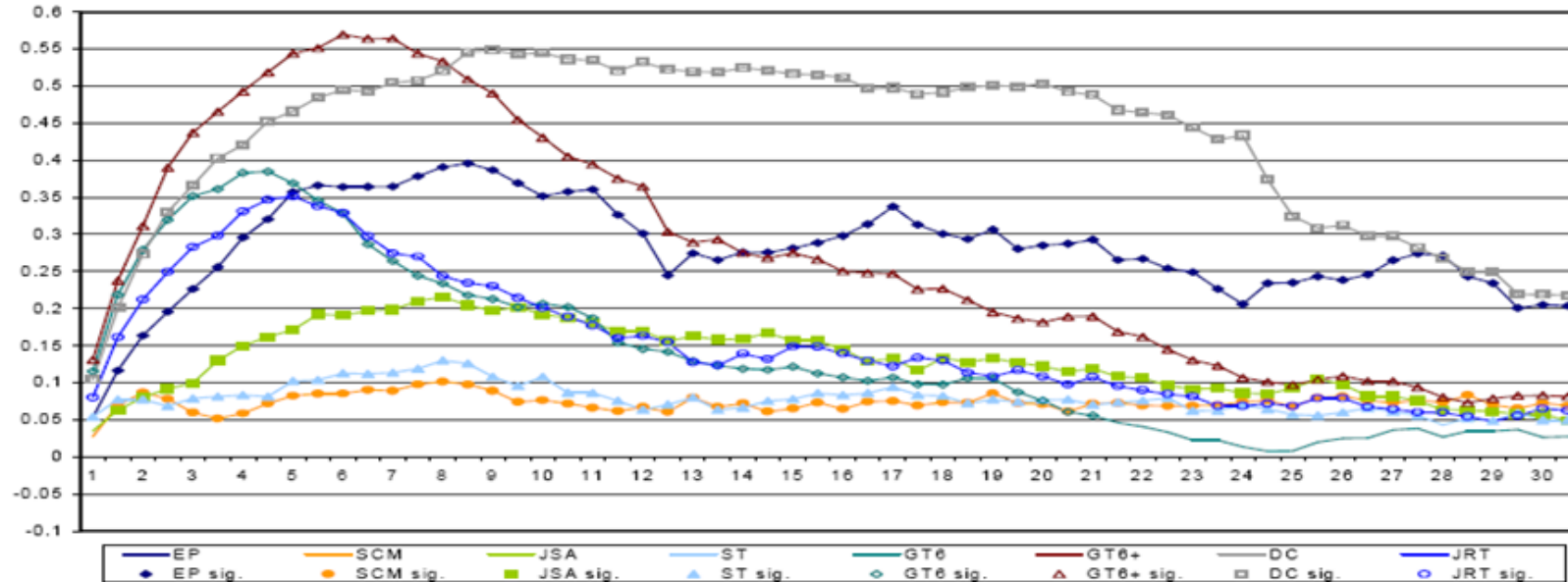
Figure 2: Effects of programme participation compared to nonparticipation: unsubsidied employment



Note: Abscissa: Months after programme start. Ordinate: Effect in %-points. Each line represents the respective population of participants, which differs for each programme. Dots indicate that the effect is significant on the 5% level (sig.).

Results: Programs increase unemployment

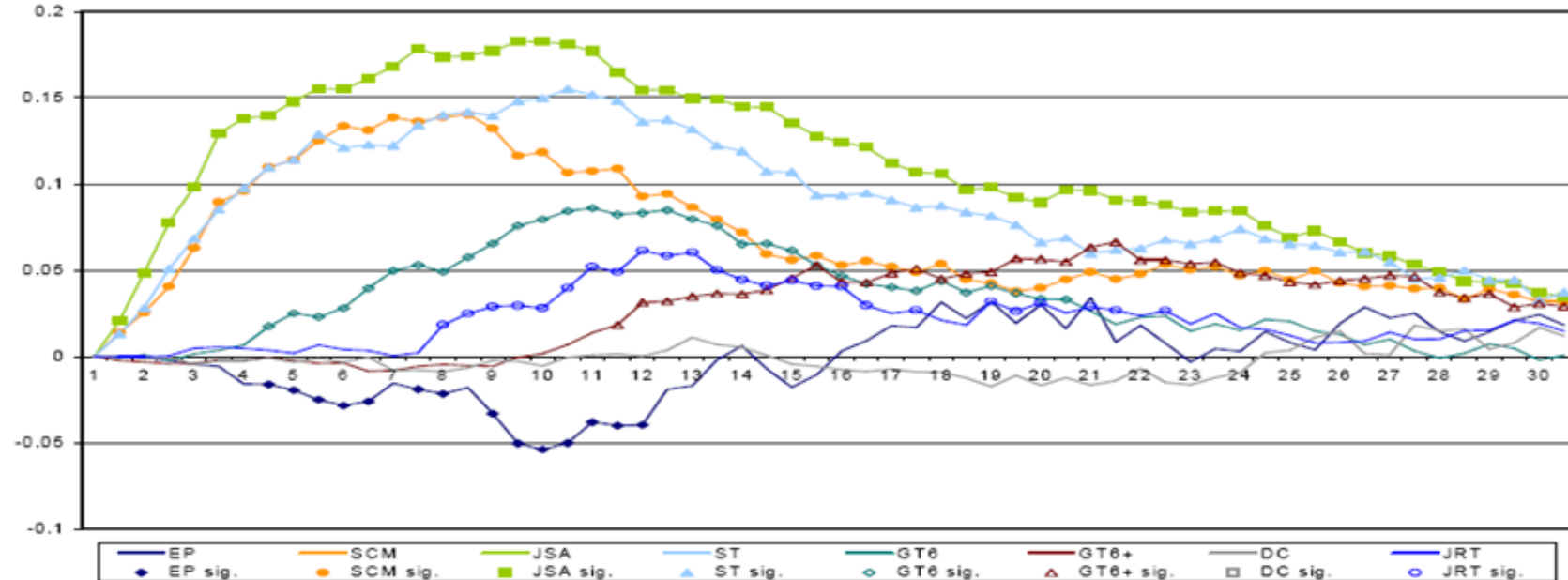
Figure 3: Effects of programme participation compared to nonparticipation: registered unemployment



Note: Registered unemployment includes programme participation. Abscissa: Months after programme start. Ordinate: Effect in %-points. Each line represents the respective population of participants, which differs for each programme. Dots indicate that the effect is significant on the 5% level (sig.).

Results: Programs induce further program participation

Figure 4: Effects of programme participation compared to nonparticipation: further programme participation



Note: Abscissa: Months after programme start. Ordinate: Effect in %-points. Each line represents the respective population of participants, which differs for each programme. Dots indicate that the effect is significant on the 5% level (sig.).

Results: Does anyone benefit from the programs?

Some positive employment effects for:

- unemployed without vocational education in short training (ST), often in combination with temporary wage subsidies
- short combined measures (SCM) and short general training (GT6) when used later in unemployment spell
- unemployed with bad employment prospects in job related training (JRT)

Conclusion from this recent paper

- Wunsch, Lechner (West: *Kyklos*, 2009, East: forthcoming in *Economics of Transition*)
 - New and more informative database
 - Training and other programmes
 - Programmes from 2000-2002
 - Observe outcomes only over 2.5 years
 - WL find
 - all programmes have negative effects in the short run (lock-in)
 - no effects on registered unemployment (programmes increase employment and reduce part of individuals that are 'out of the labour force')
 - programmes have either negative or no effects over 2.5 years
 - time horizon too short for longer programmes but most effects seem to stabilize at non-positive levels
 - reallocation of programme participants could improve effects
 - Using new data in which outcomes are observed for 4 years *seems* to suggest positive effects for more substantial training programmes (*not in paper*)

Overall assessment

- All programmes have negative effects in the short run (lock-in effects) in terms of unsubsidized employment
- Almost all types of programme appear to increase (not decrease) registered unemployment (and benefit receipt)
- It seems that if there are any employment effects, they work via reducing the number of individuals in 'out-of-the labour force'
- Training programmes sometimes have positive effects in the long run (after 3 to 4 years, or even longer depending on the length of the programme)
- Programmes are more effective in a recession, because the lock-in effect is less pronounced (more difficult to find a job even for the non-participants)